

This record is a partial extract of the original cable. The full text of the original cable is not available.

112016Z Apr 06

UNCLAS SECTION 01 OF 04 SAN SALVADOR 000963

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [PREL](#) [ECON](#)

SUBJECT: U.S. Ambassadors Outline Agenda for Central America

#### Summary and Introduction

1. (SBU) WHA Assistant Secretary Tom Shannon, Ambassador to El Salvador Douglas Barclay, Ambassador to Guatemala James Derham, Ambassador to Belize Robert Dieter, Ambassador to Panama William Eaton, Ambassador to Honduras Charles Ford, Ambassador to Costa Rica Mark Langdale, and Ambassador to Nicaragua Paul Trivelli met on March 18, 2006, in San Salvador to outline regional concerns related to populist politics, regional security, nongovernmental diplomacy, immigration, CAFTA-DR implementation, corruption, and regional integration. The following paragraphs summarize discussions on these themes and provide recommendations for follow up. For better coordination on these issues, Embassy San Salvador suggests that each embassy in the region be responsible for follow-up on a particular issue. End summary and introduction.

#### Populist Politics

2. (SBU) Ambassador Trivelli made it clear that Ortega is the same populist Mafioso who drove Nicaragua into the ground under previous Sandanista rule. An Ortega victory in upcoming presidential elections would give Chavez a foothold in the region and trigger another round of human and capital flight. A/S Shannon said it is important that neither Ortega nor Aleman win, given Ortega's influence over Aleman. Leaders in the region must focus on how important these elections are, he added.

3. (SBU) Ambassador Eaton said the political left in Panama is weak, and all parties are centrist or right wing. There is little anti-Americanism, and President Torrijos is trying to improve bilateral relations. He warned that because Panama has the second-worst income disparity in the hemisphere, there is some concern that a leftist demagogue could rally support.

4. (SBU) In his campaign, President Zelaya of Honduras promised to reduce the price of gasoline by implementing the recommendations of a national commission to nationalize the fuel distribution network, Ambassador Ford said. Now, he is scrambling to fulfill that pledge and address other governance issues in a desire to show that democracy and a market economy can meet the needs of the poorest Hondurans.

5. (SBU) Presidential elections are 18 months away in Guatemala, where Alvaro Colon is the leading candidate; Ambassador Derham said there are concerns over allegations of corruption in the current government that may spell trouble for incumbents and that narcofunds are backing certain candidates. Ambassador Derham added that the election of Morales in Bolivia was a welcome event among the indigenous population in Guatemala, but they are still reeling from the war years and are not yet organized enough to put together a political campaign. He noted that there are reports, however, that Guatemalans are traveling to Venezuela under what is being called a "Chavez IVP"--further Venezuelan influence in Guatemala could lead to pressure on government to agree to deals such as the Petrocaribe fuel offers that Venezuela has promoted recently.

6. (SBU) Recommendations: A) Continue to monitor populist political activities in the region and share experiences on best practices to support democracies in the region. Follow-up: Embassy Nicaragua.

#### Regional Security

7. (SBU) Ambassador Derham said that Guatemala's most pressing issue is security, especially gangs and other organized crime. He shared three anecdotes on security in Guatemala that illustrated the challenge facing the country from smugglers of persons, drugs, and contraband--these groups control parts of the country, and law enforcement is difficult in those regions. Corruption among the police and judiciary further complicate the issue. In the recent "Blue Sky" development exercise submitted with the MPP, he proposed putting all assistance for Guatemala into security. Ambassador Ford compared the security situation in Honduras

to that in Guatemala and noted a recent increase in airborne drug trafficking through Honduras and an increase in truck hijackings.

18. (SBU) Ambassador Derham emphasized that to combat drug trafficking in a country that lacks a functional system of law enforcement, creativity is important. Working with U.S. law enforcement, the Embassy lured three prominent Guatemalan officials accused of drug trafficking to the United States, where U.S. authorities arrested them. Dealing with the issue also requires hands-on assistance, Ambassador Derham said, as has been necessary in establishing a multi-agency task force to combat money laundering in Guatemala. He described a project in Villa Nueva designed to curb growing criminality fed by a family structure of broken families. Finally, he noted the importance of pushing forward on the legislative agenda, citing the development of a RICO-style statute in Guatemala.

19. (SBU) Ambassador Ford said President Zelaya was focusing more on prevention in dealing with security issues. Meanwhile, the Embassy continues to focus on a rule of law program that has invested \$30 million in administration of justice and related programs since 1987. An important part of that effort has been reaching out to the economic elite to convince them that better physical and judicial security would serve them in the long term--although some do gain short-term benefits by manipulating weaknesses in the justice system. Ambassador Barclay noted that the police in El Salvador were generally good, but the court system was in shambles. Expanding on Ford's point about reaching out to the economic elite, Ambassador Barclay said that getting improvements in security is a cultural issue, and that convincing people it is in their interest to reform the judiciary is the key.

10. (SBU) Ambassador Trivelli noted that on a regional level, INL resources would be limited for 2006. Given the U.S. focus on drug producing countries, Central America would not see many resources for addressing the problem of drugs transiting the region. Ambassador Dieter suggested that a regional approach might be effective in countering that decrease in funding to tackle security issues.

11. (SBU) Recommendations: A) Consider developing a regional approach to INL activities and funding to better deal with cross-border security issues. Follow-up: Embassy Guatemala City.

#### Nongovernmental Diplomacy

12. (SBU) A/S Shannon said he is concerned about the public perception of policies promoted by the United States. We have difficulty in packaging what we do, whether it is free trade or the Millennium Challenge Account, and it is not plainly evident to the general public what the benefits of these initiatives will be. There is concern that Latin Americans feel the United States has forgotten about the region, but in terms of foreign assistance this is false. The Bush administration is much more engaged in the region than previous administrations--spending has doubled from \$800 million to \$1.6 billion, the number of Peace Corps volunteers is up 40 percent in the region, and there are initiatives such as the Millennium Challenge Account with compacts in Nicaragua and Honduras, and possibly El Salvador, which will benefit the region. The Department must move beyond merely advancing our policy goals with host-country governments and make greater efforts toward direct outreach to the general public.

13. (SBU) Ambassador Dieter agreed with A/S Shannon and said that although interactions with the Government of Belize were cordial, the best way to communicate about the United States is to go directly to the people, whether it be the private sector, church groups, schools, or other civic organizations. He noted also Secretary Rice's recent comment that the Department emphasizes engagement, not simply reporting, and he proposed that Posts be proactive in assisting volunteer and humanitarian groups and suggesting projects they might consider. Ambassador Eaton suggested making available a clearinghouse of nongovernmental organizations. Ambassador Langdale suggested that a local version of the Department's Corporate Excellence Award had proven useful in stimulating the private sector's interest in civic responsibility. Ambassador Langdale said he makes it a point to ask U.S. executives with whom he meets about their corporate giving programs in Costa Rica. Several ambassadors inquired regarding the status of Hurricane Stan disaster assistance spearheaded by the private sector.

14. (SBU) Recommendations: A) Ensure wider distribution of existing resources on NGOs operating in the region. B) Establish country-level Corporate Excellence Awards throughout the region. C) Seek additional information on Hurricane Stan disaster assistance. Follow-up: Embassy Belize City.

## Immigration

15. (SBU) Ambassador Barclay described the importance of immigration issues for El Salvador, where polls show that 70 percent of the population would immigrate to the United States if given the chance. In early Fall 2005, then-Acting DHS U/S Beardsworth met in El Salvador with Salvadoran officials to request cooperation with the increase in deportations that he described privately as a "train barreling down the track." To deal with that challenge, he outlined a number of initiatives to improve the processing of deportees, and even promised "up to \$100 per deportee" in processing fees for the Salvadorans.

16. (SBU) The Embassy and the Salvadorans then created a deportation working group to follow up. However, DHS has not followed through on commitments U/S Beardsworth made during that initial meeting. For example, DHS halted cooperation with Salvadoran consulates in the United States in developing interview procedures based on videoconferencing. Meanwhile, Salvadoran officials have begun to complain to DHS about deportations that exceed agreed-upon limits on the number of deportees per flight, as well as about flight frequency, the mixing of criminal and noncriminal deportees, and other issues. The Salvadorans raised deportation issues in the February Bush/Saca meeting and hope to build on momentum from that meeting when they meet with senior DHS officials on April 18 in Washington to discuss next steps.

17. (SBU) Ambassador Derham voiced concern that rhetoric accompanying the debate on immigration reform in the United States creates a significant public diplomacy challenge. A/S Shannon noted the constructive role played by some of the Central American governments and Mexico in discussing immigration. This has had the effect of calming down the public and putting the issue in a better light. Ambassador Derham noted that the decision not to offer TPS for Guatemalans will give more influence to politicians who deliver an anti-American message.

18. (SBU) Recommendation: Coordinate reporting and other communications to inform Washington audiences on the potential impact immigration reform could have on their host countries. Follow-up: Embassy San Salvador.

## CAFTA Implementation

19. (SBU) Ambassador Ford noted the challenge of CAFTA implementation, both technical and economic, especially in the face of last-minute attempts by some sectors to maintain trade barriers. Another challenge he outlined is how to manage expectations in the medium term, as people discover that the agreement is not an instant panacea. The new government in Honduras supports CAFTA, but they will need to show that it delivers economic prosperity to the people. That is a challenge for governments in the region and for the United States--we need to find a way to talk to the public about trade in a way that makes sense to them. Ambassador Eaton suggested that publicizing local success stories would be an important tool in this effort.

20. (SBU) Ambassador Eaton said Panama is working on an FTA with the United States and hopes to complete it before U.S. midterm elections, which USTR believes possible. Panamanians hope to take advantage of niche agricultural markets in the United States; they understand, however, that their future is not in agriculture. The FTA has about a 55 percent public approval rating, and even the opposition is beginning to understand its benefits.

21. (SBU) Ambassador Langdale said CAFTA was a nonissue in the recent presidential election in Costa Rica, which Oscar Arias won by only 18,000 votes. The Assembly is two-thirds in favor of CAFTA, free trade, and the United States in general. Ambassador Langdale said CAFTA will pass, but the public sector union may create headaches for implementation--the union's leader promised "fiery street demonstrations" if CAFTA is implemented.

22. (SBU) Ambassador Derham said that Embassy Guatemala is focused on CAFTA implementation now that Guatemalans understand the agreement is not self-executing and requires legislative changes. Ambassador Derham felt the stage was set for CAFTA implementation with the visits of Deputy Secretary Zoellick and Secretary of Commerce Gutierrez last

## SIPDIS

fall, but short-term implementation problems persist.

23. (SBU) Recommendation: A) Share best practices on CAFTA outreach and implementation efforts. Follow-up: Embassy Tegucigalpa.

## Corruption

-----  
124. (SBU) Ambassador Eaton said that despite the negative impact that corruption has on the investment climate, the economic elite in Panama were reluctant to tackle the issue--after all, the status quo has worked well for them. In societies where laws are rarely enforced, Ambassador Ford suggested that agreeing on a common definition of corruption is important. He suggested that preventing corruption by promoting a culture of lawfulness is an effective means of addressing the issue. Education on public ethics, beginning in primary schools, is important too. Coalition building with NGOs, the media, and the private sector is also useful, Ambassador Eaton said. For Panama, working with the banks is critical, given the country's history of money laundering. Ambassador Eaton suggested the creation of a multi-agency task force on combating corruption.

125. (SBU) Ambassador Eaton highlighted visa revocations as a useful tool in drawing attention to the issue, a point that Ambassadors Trivelli and Ford supported. USAID's regional programs to tackle corruption were highlighted. CAFTA was also mentioned as a tool for tackling corruption. Ambassador Barclay raised the example of the ethics law in El Salvador, which everyone is in favor of, but which has gotten no political traction since it was introduced four years ago.

126. (SBU) Recommendation: A) Disseminate additional information on USAID anti-corruption programs. B) Encourage the creation of multi-agency task forces on corruption. Follow up: Embassy Panama City.

#### Regional Integration

-----

127. (SBU) Central American governments are members of numerous smaller organizations that the United States has not traditionally been well positioned to engage or understand. There are usually no U.S. demarches associated with CARICOM meetings, and the Department has little idea of the dynamic in these meetings, or of the deals often struck on the margins. A/S Shannon said he wants to get the Department more focused on such regional organizations, and he hopes that the next two months will see more action on this, as these types of meetings are the seedbed for ideas in the region. A/S Shannon asked all participants to think about how regional integration should work, and whether it should be implemented locally or from Washington.

128. (SBU) On physical integration issues, Ambassador Eaton said Panama hopes to maximize the advantages of its geographic location, and the government hopes Panama will become the Singapore of the region, backed by trade processing zones, free trade zones, good port facilities, a widened canal, and banking infrastructure. Ambassador Trivelli suggested that Panama should inform others in the region about their plans for the canal so that they would avoid wasting effort on dry canals and similar infrastructure projects.

129. (SBU) Ambassador Langdale provided a presentation on regional infrastructure integration, describing Central American and Mexican efforts to plan jointly for telecommunications, electricity, and transportation infrastructure improvement through the 2001 Plan Puebla-Panama. In terms of implementation, however, he noted that governments in the region have a poor track record, citing the uncertain future of a Pacific corridor road as an example. Ambassador Langdale suggested working closer with the Inter-American Development Bank to help governments coordinate efforts. Several Ambassadors also inquired regarding the status of OPIC's plans to establish an investment fund for Central America, some of which could be used to improve infrastructure.

130. (SBU) Recommendation: A) Establish a political/economic reporting officer position based in Central America to coordinate regional integration issues. Follow-up: Embassy San Jose.

131. (SBU) Ambassadors Barclay, Derham, Dieter, Eaton, Ford, Langdale, and Trivelli cleared this cable.